

## Graeme Charles on Co-operation in The Devondaler



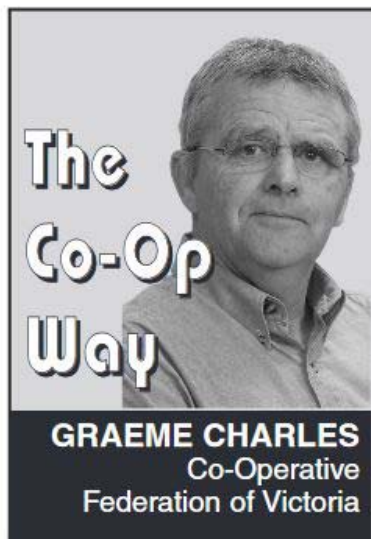
Graeme Charles was the Executive Officer and Secretary of the Co-operative Federation of Victoria Ltd between 1999 and 2002 and Deputy Chairman between 2002 and 2008 – the peak body for co-operatives in the Australian State of Victoria.

Between 2006 and 2008 Graeme Charles was a guest columnist for The Devondaler – the monthly newspaper of Murray Goulburn Co-operative Co. Limited. The Devondaler was established in 1986.

The Co-operative is one of Australia's largest with 2200 dairy farmer members and more than 2000 employees.

Twenty of these columns have been reproduced.

## Agricultural Co-operatives Are Financially Competitive



A recent U.S. study has analysed the comparative financial performance of co-operatives and investor-owned firms in four sectors: dairy, fruit & vegetables, grain and farm supply. It concludes that the overall financial performance of co-operatives on the U.S. West Coast is on par with that of similar investor-owned firms.

Apparently, like many agricultural businesses in recent times, some U.S. agricultural co-operatives have experienced financial difficulties, raising concerns among producers and lenders regarding the viability of the co-operative form of agricultural business.

Some commentators have gone even further by claiming, often without offering any supporting

evidence, that indeed co-operatives have passed their use-by date. Unfortunately, in Australia this view tends to be reinforced by the demise, for one reason or another, of many of our once iconic agricultural co-operatives. Reasons in my view that have never been adequately researched and explained. In January the Weekly Times ran an article "The Winds of Change" which stated, "the co-operative is largely an outmoded supplier organization." I could see no supporting evidence for this claim, but sadly that's par for the course. In the meantime the Co-operative Federation continues to attempt to provide the article's author with a countering view.

So, the results of our aforementioned study make interesting reading. After conducting a comparative financial analysis of 41 co-operatives and hundreds of similar investor-

owned firms over a twelve year period, contrary to popular belief, it found that the overall financial performance of co-operatives was on par with that of the investor-owned firms. Interestingly, co-operatives in all four sectors had lower debt to equity ratios than their investor-owned counterparts. If you stop to think about it, this particular finding is surprising for three reasons: (1) co-operatives have access to fewer sources of equity capital than investor-owned firms, (2) members generally want to maximize cash payments from their co-operatives, and (3) members generally do not value the equity they have within co-operatives.

The study concludes that its findings should alleviate the concerns expressed by producers and lenders regarding the viability of most agricultural co-operatives. Furthermore, it says the use of the co-operative structure in California's agricultural sector continues to evolve. It provides a number of examples of recent new co-operative development, clearly indicating that co-operatives continue to successfully promote the economic welfare of agricultural producers on the West Coast.

If you have a question or comment in relation to this article or any other co-operative matter why not email me at [graeme.charles@australia.coop](mailto:graeme.charles@australia.coop)

7 February 2008



List of Graeme Charles articles published between 2006 - 2008

Title	Date on Article or File – not when published	Identification Number
Why do you belong to Murray Goulburn Co-operative Company	1 September 2006	1
The importance of co-operatives in agriculture across the world.	2 October 2006	2
What Gives Co-operatives A Bad Name	21 November 2006	3
Murray Goulburn one of only two Australian co-operatives in the ICA Global 300	No date	4
UK Co-operative College and Co-operative Federation of Victoria helping Murray Goulburn members co-operative identity	!! December 2006	6
Review of The Democracy Principle: Farmer Co-operatives in Twentieth Century Australia by David Griffiths	12 February 2007	7
Particular Challenges for Co-operatives – Funding Expansion	12 February 2007	8
Particular Challenges for Co-operatives Part 2 Effective Democracy, or to put it another way, Members In Control	12 February 2007	9
Why are we ignoring co-operative solutions?	10 March 2007	10
A Co-operative AWB	29 March 2007	11
Could health co-operatives help solve the shortage of doctors in rural areas?	1 May 2007	12
Co-operative Demutualisation: the International Co-operative Alliance Response	6 August 2007	13
US Credit Unions buck Global Demutualisation Trend	7 August 2007	14
Co-operatives creating value for farmers and rural communities	4 November 2007	No number
Dairy Co-operatives in India	12 November 2007	16
Cooperatives get together in New Zealand to discuss the Co-operative Advantage of Dairy Business	21 November 2007	17
Retaining Co-operative Characteristics	25 January 2008	18

and Globalisation		
Agricultural Co-operatives are Financially Competitive	7 February 2008	19
Does Co-operation Improve Profitability for Farmers	3 June 2008	21
Small is sometimes beautiful	30 September 2008	Number unknown